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Message Text

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INFO OCT-01 EUR-12 IO-10 ISO-00 TRSE-00 AGR-05 STR-04

CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00

FEA-01 CEA-01 COME-00 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSC-05 PA-01 AID-05 CIEP-01 SS-15 TAR-01

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E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: GATT COUNCIL SEPTEMBER 25: CANADIAN IMPORT QUOTA
ON EGGS

REF: (A) GENEVA 7102 (B) STATE 212488 (C) STATE 214376
(D) STATE 224227 (E) GENEVA 7259

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1. MISSION MAY DRAW AS APPROPRIATE ON PARAS 2 TO 8 BELOW
TO INTRODUCE AND PROVIDE RATIONALE FOR U.S. REQUEST TO
CONVENE WP ON CANADIAN IMPORT QUOTA PROBLEM. PRINCIPAL
OBJECTIVE AT COUNCIL MEETING IS TO STRESS THAT EARLY

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CLARIFICATION OF GATT ISSUES INVOLVED WOULD BE HELPFUL FOR QUICK BILATERAL RESOLUTION OF PROBLEM. IF NECESSARY, MISSION SHOULD CORRECT ANY MISIMPRESSION OF THE CPS THAT OUR REQUEST FOR AN ADVISORY RULING IS IN ANY WAY AIMED AT SEEKING ARBITRATION IN THE GATT. PARAS 1 AND 2 OF REF D PERTAIN, AND MAY BE DRAWN ON AS NECESSARY. IN RESPONSE TO REF (E) U.S. APPROACH ON THIS SUBJECT IN GATT IS NOT AFFECTED BY WHETHER EC DECIDES TO PARTICIPATE IN WP OR NOT.

2. THE THREE GATT ISSUES THAT WE WANT THE WP TO CLARIFY WERE IDENTIFIED IN PARA 3 OF REF C, WHICH MAY ALSO BE DRAWN UPON. WE DOUBT (A) THAT THE CANADIAN SUPPLY MANAGEMENT SYSTEM CONFORMS TO THE REQUIREMENTS OF ARTICLE XI;

(B) THAT THE BASIS FOR DETERMINING THE IMPORT QUOTA LEVELS IS IN ACCORD WITH THE LAST PARA OF ARTICLE XI; AND WE BELIEVE (C) THAT IRRESPECTIVE OF THE FINDINGS UNDER (A) AND (B) ABOVE THAT THE CANADIAN QUOTA CONSTITUTES NULLI-FICATION AND IMPAIRMENT OF A PRIOR BINDING.

3. THE QUANTITY OF U.S. FRESH, PROCESSED AND FROZEN EGGS PERMITTED TO ENTER CANADA SINCE JULY 5 HAS BEEN LIMITED BY QUOTA. THIS QUOTA REPLACES A TRIGGER PRICE IMPORT QUOTA SYSTEM, WHICH WE HAD ALSO CONTESTED.

4. THE GOC HAS INFORMED US THAT THE NEW QUOTA IS PART OF A COMPREHENSIVE DOMESTIC EGG SUPPLY MANAGEMENT AND MARKET CONTROL SYSTEM. IN VIEW OF OUR EXPERIENCE WITH THE EARLIER PRICE TRIGGER QUOTA SYSTEM, DURING WHICH THE QUANTITY OF CANADIAN EGGS PRODUCED WAS NOT RESTRICTED IN THE SAME PROPORTION AS IMPORTS, WE DOUBT THAT THE GOC CAN NOW EFFECTIVELY CONTROL THE PRODUCTION OF EGGS.

5. WITH RESPECT TO THE QUOTA ITSELF, THE GOC HAS INFORMED US THAT ITS ACTUAL LEVEL FOR CY 1975 WAS CALCULATED ON THE BASIS OF THE AVERAGE ANNUAL GLOBAL IMPORTS (ALMOST ALL WERE FROM THE US) DURING THE PERIOD 1969-1973, PLUS
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20 PERCENT. CONSEQUENTLY U.S. ACCESS FOR CY 1975 IS BEING LIMITED TO .36 PERCENT OF ESTIMATED CANADIAN PRODUCTION FOR THE SAME PERIOD.

6. THE FORMULA FOR CALCULATING THE NEW QUOTA EFFECTIVELY REDUCES U.S. ACCESS TO THE CANADIAN MARKET, THEREBY PREVENTING THE CONTINUATION OF A RECENTLY ESTABLISHED PERMANENT UPTREND IN U.S. EGG EXPORTS TO CANADA. U.S. EGG EXPORTS TO CANADA INCREASED SIGNIFICANTLY DURING 1973 AND THE NON-QUOTA PARTS OF 1974 AND 1975.

7. THE U.S. HAS BROUGHT THESE FACTS TO THE ATTENTION OF

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THE GOC BILATERALLY, AND CONSULTATIONS ON THIS ISSUE ARE CURRENTLY IN PROGRESS. WE ARE NOT, THEREFORE, SEEKING TO REFER THIS DISPUTE TO THE CPS, BUT ARE INSTEAD REQUESTING CLARIFICATION.

8. GIVEN THE UNCERTAINTY WHICH U.S. EGG PRODUCERS NOW FACE AND THE IMPORTANT POLITICAL SENSITIVITIES INVOLVED, WE ARE FURTHER REQUESTING AN EARLY ADVISORY RULING ON THESE GATT ISSUES. ROBINSON

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